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FISCAL IMPACT STATEMENT

LS 7352
BILL NUMBER: HB 1334

NOTE PREPARED: Apr 5, 2013
BILL AMENDED: Apr 4, 2013

SUBJECT: Various Education Matters.

FIRST AUTHOR: Rep. Thompson
FIRST SPONSOR: Sen. Kruse

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Liability Insurance: This bill permits the Department of Administration to contract for the availability of personal liability insurance for public and nonpublic school teachers in Indiana.

Income Tax Add back: The bill deletes the provision in current law that adds back for state income tax purposes the amount of a federal gross income deduction claimed for certain unreimbursed teacher expenses.

License Renewal: The bill provides that if a certificated employee is required to renew the certificated employee's license in the same year the certificated employee receives a designation as highly effective, the certificated employee is not subject to the continuing education requirements in order to renew the certificated employee's teaching license.

It provides that if a certificated employee is required to renew the certificated employee's license in the same year the certificated employee receives a designation as effective, the certificated employee is only required to complete either: (1) three (3) hours of college or university course work; or (2) fifty percent (50%) of the professional growth experience growth points; required to renew the certificated employee's teaching license.

Waiver for High Performing Schools: The bill provides that a governing body may request the State Board to waive any rule adopted by the State Board for a school contained in the school corporation if the school has been placed in the two highest categories or designations of school performance.

Effective Date: January 1, 2013 (retroactive); July 1, 2013.

Explanation of State Expenditures: *Indiana Department of Administration (IDOA)*: This bill allows the IDOA to contract with at least one personal liability insurer to allow any teacher to purchase coverage under a personal liability insurance policy. The IDOA could issue a request for proposals (RFP), which is within their current responsibilities. However, the IDOA does not have the staff available to manage such a contract.

Contract for Personal Liability Insurance: Any impact to the state for contracting for personal liability insurance will depend upon whether the IDOA issues a RFP and the details of the contract. The bill specifies that teachers that purchase coverage under a plan contracted by IDOA will pay the full premium for coverage.

(Revised) *Department of State Revenue (DOR):*The DOR will incur additional expenses to revise tax forms, instructions, and computer programs relating to the elimination of the addback of the federal deduction for certain teacher classroom expenses. The DOR's current level of resources should be sufficient to implement these changes.

Waiver for High Performing Schools: This proposal could cause the workload of the State Board of Education to increase. The extent of the increase would depend upon the number of waiver requests it has to evaluate.

Explanation of State Revenues: (Revised) *Income Tax Add Back*: This bill eliminates the Individual Adjusted Gross Income (AGI) Tax add back for the federal gross income deduction for certain teacher classroom expenses. The changes are effective beginning in tax year 2013, so the revenue impact would likely begin in FY 2014. The revenue loss from this change could potentially total an estimated $0.48 to $0.61 M each year beginning in FY 2014. Revenue from the Individual AGI tax is deposited in the state General Fund.

Current statute requires taxpayers to add back the federal deduction for certain unreimbursed expenses incurred by elementary and secondary school teachers. The federal deduction allows eligible educators to deduct expenses in connection with books, supplies, computer equipment, software, and supplementary materials used in the classroom. The taxpayer may deduct up to $250 in qualifying expenses. In tax year 2011, the Indiana add back was claimed on approximately 56,700 returns. It added back about $14.2 M in additional Indiana taxable income.

Explanation of Local Expenditures: *Summary:*

(1) *License Renewal*: The fiscal impact on school corporations should be minimal.
(2) *Waiver for High Performing Schools:* The fiscal impact would depend on local action. Schools could save on some administrative costs if the waiver resulted in reduced expenditures for some programs.

Additional Information:

License Renewal: Usually, an applicant for license renewal has to complete either a minimum of 90 hours of professional education or six semester hours of college or university credit.

Waiver for High Performing Schools: Under the bill, the governing body of a school corporation that has placed in two highest categories of school academic performance for two consecutive years may petition the State Board to waive any rule adopted by State Board that would impact the school. The State Board shall either approve or deny, in whole or in part, the request for a waiver. If the waiver is approved, the State Board shall determine how long the waiver would remain in effect. However, the waiver would remain in effect only as long as the school continues to be placed in the two highest categories of academic performance.

Based on 2012 academic performance data from the Department of Education, approximately 923 schools (public including charter schools, and non-public schools) would qualify for a waiver under this bill. Under current law, the subject areas the waiver could cover include accreditation standards, the issuance of substitute teachers' licenses and the employment of substitute teachers, and ISTEP standards. In which of these areas the State Board would approve waivers is unknown at this time.

Explanation of Local Revenues: (Revised) *Income Tax Add Back:* Since the elimination of the add back of the federal deduction for certain teacher classroom expenses will decrease taxable income, counties imposing local option income taxes could potentially experience a decrease in revenue from these taxes. Based on the current median LOIT rate of 1.45%, the estimated statewide revenue loss due to this provision could range from $0.20 to $0.26 M beginning in FY 2014.

State Agencies Affected: Indiana Department of Administration; Department of State Revenue; State Board of Education.

Local Agencies Affected: Local schools; School corporations; Counties that impose a local option income tax.

Information Sources: Connie Smith, Indiana Department of Administration, 317-233-1494; Department of Education website**:** www.doe.in.gov/improvement/accountability**;** Joint Committee of Taxation, *Estimated Revenue Effects of the Revenue Provisions Contained in an Amendment in the Nature of a Substitute of H.R.8,* January 1, 2013; Shane Corbin, Department of State Revenue, 317-232-2107.

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